

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-17
Notes to the Annual Financial Statements	18-29
Appendix B: Analysis of Property, Plant and Equipment	30-33
Appendix C: Segmental Analysis of Property, Plant and Equipment	34
Appendix D: Segmental Statement of Financial Performance	35

MBONAMBI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2009

	Note	2009 R	2008 R
ASSETS			
Current assets			
Cash and cash equivalents	1	-	-
Trade and other receivables from exchange transactions	2	1,838,814	3,174,216
Other receivables from non-exchange transactions	3	756,653	2,978,150
VAT receivable	9	1,578,155	1,987,858
Unspent Conditional Grants	12	6,632,195	-
Non-current assets			
Property, plant and equipment	4	18,364,768	-
Investment property carried at cost	5	1,590,000	-
Total assets		30,760,585	8,140,224
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	26,726,761	3,104,955
Consumer deposits	7	2,264	8,464
VAT payable	8	124,286	-
Payments received in advance	10	1,869,587	-
Current provisions	11	1,167,826	810,700
Bank overdraft	1	13,994,017	5,639,637
Current portion of unspent conditional grants and receipts	12	-	11,260,125
Non-current liabilities			
Non-current unspent conditional grants and receipts	12	-	-
Total liabilities		43,884,742	20,823,881
Net assets		(13,124,157)	(12,683,657)
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		(13,124,157)	(12,683,657)
Total net assets		(13,124,157)	(12,683,657)

MBONAMBI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

	Note	2009 R	2008 R
Revenue			
Property rates	13	2,471,798	3,379,457
Service charges	14	184,554	167,420
Rental of facilities and equipment	15	119,015	70,027
Interest earned - bank accounts	16	60,014	40,281
Fines		3,627,383	7,060,016
Government grants and subsidies	17	26,966,142	31,407,171
Other income	18	1,879,132	1,337,156
Total revenue		35,308,037	43,461,528
Expenses			
Employee related costs	19	11,450,417	13,638,099
Remuneration of councillors	20	4,081,229	2,994,624
Depreciation and amortisation expense	21	1,701,241	-
Repairs and maintenance		1,879,363	-
Finance costs	22	619,541	-
Contracted services	23	3,482,436	-
General expenses	24	10,892,732	32,390,921
Total expenses		34,106,960	49,023,644
Gain / (loss) on sale of assets	25	-	-
Surplus / (deficit) for the period		1,201,077	(5,562,116)

MBONAMBI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

	Note	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R	R	R	R
Balance at 30 June 2007						
Changes in accounting policy	28	-	-	-	(7,127,477)	(7,127,477)
Correction of prior period error	29					
Restated balance						
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	(7,127,477)	(7,127,477)
Other items						
Other items						
Net gains and losses not recognised in the statement of financial performance						
Transfers to / from accumulated surplus/(deficit)						
Surplus / (deficit) for the period					(1,635,641)	(1,635,641)
Balance at 30 June 2008					(5,562,116)	(5,562,116)
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	(14,325,234)	(14,325,234)
Other items						
Other items						
Net gains and losses not recognised in the statement of financial performance						
Transfers to / from accumulated surplus/(deficit)						
Surplus / (deficit) for the period					1,201,077	1,201,077
Balance at 30 June 2009					(13,124,157)	(13,124,157)

MBONAMBI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		-	33.890.609
Taxation			
Sales of goods and services			33.499.260
Grants			40.281
Interest received			351.068
Other receipts		-	21.175.446
Payments			
Employee costs			
Suppliers			21.175.446
Interest paid			
Other payments			
Net cash flows from operating activities	26	12.949.332	12.715.163
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(20.066.009)	(7.842.226)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of foreign currency securities			
Net cash flows from investing activities		(20.066.009)	(7.842.226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		(8.354.380)	4.872.937
Net cash and cash equivalents at beginning of period		(5.639.637)	-
Net cash and cash equivalents at end of period	27	(13.994.017)	4.872.937

MBONAMBI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
Finance Lease Assets			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the

impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 TRANSITIONAL PROVISIONS

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at bank		13,994,017	5,639,637
		<u>13,994,017</u>	<u>5,639,637</u>

The Municipality has the following bank accounts

Current Account (Primary Bank Account)

Absa Bank Limited - Durban Branch Account Number 40-5385-7155

Cash book balance at beginning of year	5,639,637	(766,700)
Cash book balance at end of year	<u>13,994,017</u>	<u>5,639,637</u>
Bank statement balance at beginning of year	(1,844,241)	
Bank statement balance at end of year	<u>104,102</u>	<u>(1,844,241)</u>

Current Account - Traffic Fines

Absa Bank Limited - Durban Branch Account Number 40-6506-2322

Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	48,246	
Bank statement balance at end of year	<u>17,634</u>	<u>48,246</u>

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

as at 30 June 2009

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Service debtors			
Rates	1,838,814	-	1,838,814
Refuse	-	-	-
Total	<u>1,838,814</u>	<u>-</u>	<u>1,838,814</u>

as at 30 June 2008

Service debtors			
Rates	2,983,763	-	2,983,763
Refuse	190,453	-	190,453
Total	<u>3,174,216</u>	<u>-</u>	<u>3,174,216</u>

Rates: Ageing

Current (0 - 30 days)	-	156,974
31 - 60 Days	-	114,217
61 - 90 Days	-	88,490
91 - 120 Days	-	82,333
121 - 365 Days	-	462,757
+ 365 Days	-	934,044
Total	<u>-</u>	<u>1,838,814</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	63,273	89,738	3,963
31 - 60 Days	46,841	62,529	4,848
61 - 90 Days	32,286	53,131	3,073
91 - 120 Days	322,056	86,967	136,065
+ 365 Days	-	934,044	-
Sub-total	<u>464,456</u>	<u>1,226,409</u>	<u>147,949</u>
Less: Provision for doubtful debts			
Total debtors by customer classification	<u>464,456</u>	<u>1,226,409</u>	<u>147,949</u>

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance claims	-	-
Subsidies	-	-
Road reinstatements	-	-
Authorized expenditure	-	-
Other debtors	<u>Notes 1-10!A686</u> 756,653	2,978,150
Prepayments	-	-
Total Other Debtors	<u>756,653</u>	<u>2,978,150</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

4 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Finance lease assets R	Total R
as at 1 July 2008	132,152	-	8,028,896	8,078,985	4,668,420	-	20,908,452
Cost/Revaluation	132,152	-	9,336,712	8,942,079	7,165,339	4,999	25,581,281
Correction of error	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	(1,307,816)	(863,095)	(2,496,919)	(4,999)	(4,672,829)
Acquisitions	-	-	-	-	280,411	14,080	294,491
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	(323,744)	(299,714)	(1,037,716)	-	(1,661,174)
Carrying value of disposals	-	-	-	-	(48,326)	-	(48,326)
Cost/Revaluation	-	-	-	-	(241,795)	-	(241,795)
Accumulated depreciation and impairment losses	-	-	-	-	193,469	-	193,469
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2009	132,152	-	7,705,152	7,779,271	3,862,789	14,080	19,493,444
Cost/Revaluation	132,152	-	9,336,712	8,942,079	7,203,955	19,079	25,633,977
Accumulated depreciation and impairment losses	-	-	(1,631,560)	(1,162,809)	(3,341,166)	(4,999)	(6,140,534)

App B1A1

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Reconciliation of Carrying Value	Land		Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
	R		R		R		R		R		R		R	
as at 1 July 2007	733,155		-		8,871,077		8,942,079		7,165,339		4,999		25,716,650	
Cost/Revaluation	733,155		-		8,871,077		8,942,079		7,165,339		4,999		25,716,650	
Correction of error	-		-		-		-		-		-		-	
Change in accounting policy	-		-		-		-		-		-		-	
Accumulated depreciation and impairment losses	-		-		-		-		-		-		-	
Acquisitions	-		-		-		-		-		-		-	
Capital under Construction	-		-		-		-		-		-		-	
Depreciation	-		-		-		-		-		-		-	
Carrying value of disposals	-		-		-		-		-		-		-	
Cost/Revaluation	-		-		-		-		-		-		-	
Accumulated depreciation and impairment losses	-		-		-		-		-		-		-	
Impairment loss/Reversal of impairment loss	-		-		-		-		-		-		-	
Transfers	-		-		-		-		-		-		-	
*Other movements	-		-		-		-		-		-		-	
as at 30 June 2008	733,155		-		8,871,077		8,942,079		7,165,339		4,999		25,716,650	
Cost/Revaluation	733,155		-		8,871,077		8,942,079		7,165,339		4,999		25,716,650	
Accumulated depreciation and impairment losses	-		-		-		-		-		-		-	

App B'IA1

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

5 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

Reconciliation of carrying value	Investment Property:Houses R	Investment Property:Land R	Total R
as at 1 July 2008	1.100.000	490.000	1.590.000
Cost	1.100.000	490.000	1.590.000
Correction of error	-	-	-
Change in accounting policy	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2009	1.100.000	490.000	1.590.000
Cost	1.100.000	490.000	1.590.000
Accumulated depreciation and impairment losses	-	-	-

The effective date of the valuation was 1/06/2006. Valuations were performed by an independent valuer, J.A. Holtzhuizen [Professional Valuer], of J.A. Holtzhuizen. The valuer is not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market values.

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
5 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment		18,364,768	-
		<u>18,364,768</u>	<u>-</u>
6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		26,726,761	-
Leave and Bonus Accruals			314,292
Other creditors			2,790,663
Total creditors		<u>26,726,761</u>	<u>3,104,955</u>
The fair value of trade and other payables approximates their carrying amounts.			
7 CONSUMER DEPOSITS			
Refuse and Water		2,264	8,464
Total consumer deposits		<u>2,264</u>	<u>8,464</u>
8 VAT PAYABLE			
VAT payable		124,286	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
9 VAT RECEIVABLE			
VAT receivable		1,578,155	1,987,858
VAT is claimable on the payment basis.			
10 PAYMENTS RECEIVED IN ADVANCE			
Payments received in advance - Deposit on the sale of Land.		1,869,587	-
11 PROVISIONS			
Provision for Leave and Bonus		1,167,826	810,700
Total Provisions		<u>1,167,826</u>	<u>810,700</u>
12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government			
MIG Grants			
Other			
Other			
Other Unspent Conditional Grants and Receipts			
Other			
Other			
Total Unspent Conditional Grants and Receipts		<u>-</u>	<u>-</u>
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		(6,632,195)	11,260,125
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			

Notes 15-61/A291

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
13 PROPERTY RATES			
Actual		2,471,798	3,379,457
Residential		-	-
Commercial		-	-
Light Industries		-	-
Heavy Industries		-	-
State		-	-
Total property rates		<u>2,471,798</u>	<u>3,379,457</u>
Property rates - penalties imposed and collection charges		-	-
Total		<u>2,471,798</u>	<u>3,379,457</u>
14 SERVICE CHARGES			
Refuse removal		184,554	167,420
Total Service Charges		<u>184,554</u>	<u>167,420</u>
15 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		95,787	70,027
Other rentals - Staff		23,227	-
Total rentals		<u>119,015</u>	<u>70,027</u>
16 INTEREST EARNED - EXTERNAL INVESTMENTS			
Main Bank Account		60,014	40,281
Total interest		<u>60,014</u>	<u>40,281</u>
17 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		18,972,142	31,407,171
MIG Grant		6,759,000	-
Other Government Grants and Subsidies		1,235,000	-
Total Government Grant and Subsidies		<u>26,966,142</u>	<u>31,407,171</u>
MIG Grant			
Balance unspent at beginning of year		-	-
Current year receipts		6,759,000	-
Conditions met - transferred to revenue		(6,759,000)	-
	Notes15-61!A124	<u>-</u>	<u>-</u>
18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
Other income		1,879,132	1,337,156
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	Notes15-61!A684	-	-
Total Other Income		<u>1,879,132</u>	<u>1,337,156</u>
Public contributions and donations			
Public contributions - Conditional		1,879,132	1,337,156
Public contributions - Unconditional		-	-
Donations		-	-
Total public contributions and donations		<u>1,879,132</u>	<u>1,337,156</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
19 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		5,118,050	11,625,835
Employee related costs - Contributions for UIF, pensions and medical aids		1,539,738	-
Travel, motor car, accommodation, subsistence and other allowances		263,227	-
Housing benefits		65,893	-
Overtime and Night Allowances		654,640	-
Performance and other bonuses		607,789	-
Other employee related costs		692,600	-
Total Employee Related Costs		8,941,937	11,625,835

There were no advances / loans to employees.

Remuneration of the Municipal Manager			
Annual Remuneration		542,445	616,664
Travelling Allowance		232,476	-
Contributions to UIF		1,497	-
Total		776,419	616,664

Remuneration of the Chief Finance Officer			
Annual Remuneration		403,099	465,200
Travelling Allowance		172,757	-
Contributions to UIF		1,497	-
Total		577,354	465,200

Remuneration of Individual Executive Directors - 2009	Corporate Services	Technical Services
Annual Remuneration	460,685	460,685
Travelling Allowance	115,171	115,171
Contributions to UIF	1,497	1,497
Total	577,354	577,354

Remuneration of Individual Executive Directors - 2008	Corporate Services	Technical Services
Annual Remuneration	465,200	465,200
Total	465,200	465,200

20 REMUNERATION OF COUNCILLORS		
Mayor	266,791	193,759
Deputy Mayor	214,160	162,153
Speaker	218,154	162,153
Executive Committee Members	598,836	443,749
Councillors' allowances	2,783,287	2,032,810
Total Councillors' Remuneration	4,081,229	2,994,624

In-kind Benefits

The Mayor, is provided with an office and secretarial support at the cost of the Council. The Mayor has a full-time driver and bodyguard provided by the Council. The Mayor, is provided with an office and secretarial support at the cost of the Council. The Mayor has a full-time driver and bodyguard provided by the Council.

21 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	1,701,241	-
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	1,701,241	-

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
22 FINANCE COSTS			
Bank overdrafts and Fruitless expenditure		619,541	-
Total Finance Costs		<u>619,541</u>	<u>-</u>
23 CONTRACTED SERVICES			
Contracted services for:			
Security			
Cleaning			
		<u>3,482,436</u>	<u>-</u>
24 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		160,011	-
Admin fees		-	-
Audit fees		897,320	-
Bank charges		67,218	-
Bursaries		205,918	-
Cleaning		17,654	-
Conferences and delegations		-	-
Connection charges		-	-
Consulting fees		-	-
Consumables		-	-
Debt collection commission		-	-
Departmental consumption		-	-
Entertainment		4,336	-
Financial management grant		-	-
Fuel and oil		302,796	-
Insurance		430,096	-
Legal expenses		222,315	-
Levies paid		12,569	-
Licence fees - vehicles		82,950	-
Licence fees - computers		-	-
Membership fees		-	-
Parking		-	-
Postage		17,683	-
Printing and stationery		556,355	-
Professional fees		-	-
Rental of buildings		619,660	-
Rental of office equipment		101,051	-
Rental of computer equipment		-	-
Other rentals		-	-
Security costs		-	-
Sewerage treatment costs		-	-
Skills development levies		-	-
Stocks and material		43,279	-
Subscription & publication		-	-
Telephone cost		577,124	-
Training		133,100	-
Transport claims		-	-
Travel and subsistence		472,508	-
Uniforms & overalls		41,822	-
Valuation costs		-	-
Other		5,926,967	32,390,921
		<u>10,892,732</u>	<u>32,390,921</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
25 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		-	-
Total Gain / (Loss) on Sale of Assets		<u>-</u>	<u>-</u>
26 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		1,201,077	(5,562,116)
Adjustment for:-			
Depreciation and amortisation		1,701,241	-
(Gain) / loss on sale of assets		-	-
Contribution to provisions - non-current		357,126	-
Contribution to provisions - current		-	-
Finance costs		-	-
Other non-cash item		-	-
Operating surplus before working capital changes:		<u>3,259,444</u>	<u>(5,562,116)</u>
(Increase)/decrease in inventories		1,335,402	
(Increase)/decrease in trade receivables		2,221,497	
(Increase)/decrease in other receivables		409,703	
(Increase)/decrease in VAT receivable		(11,260,125)	
Increase/(decrease) in conditional grants and receipts		23,621,806	
Increase/(decrease) in trade payables		(6,200)	
Increase/(decrease) in consumer deposits		(6,632,195)	
Increase/(decrease) in Unspent Conditional Grants			
Cash generated by/(utilised in) operations		<u>9,689,888</u>	<u>(5,562,116)</u>
27 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		13,994,017	5,639,637
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		<u>13,994,017</u>	<u>5,639,637</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Note	2009	2008
	R	R

28 CHANGE IN ACCOUNTING POLICY

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

28.1 Statutory Funds

Balance previously reported: -	3,434,787	
Capital Development Fund	3,434,787	-
Total		
 Implementation of GRAP	 3,434,787	
Transferred to Accumulated Surplus/(Deficit)		

28.2 Property, plant and equipment

Balance previously reported	26,181,164	
Implementation of GRAP	26,181,164	-
Total		

28.3 Accumulated Depreciation

Balance previously reported -	-	
Implementation of GRAP	6,564,733	
Backlog depreciation	6,564,733	
Total (debited to Accumulated Surplus/(Deficit)) (see 47.7 below)		

28.4 Accumulated Surplus/(Deficit)

Implementation of GRAP	3,434,787	
Transferred from statutory funds	26,181,164	
Fair value of Property, Plant and Equipment.		
Backlog depreciation	29,615,951	-
Total		

29 CORRECTION OF ERROR

During the year ended 30 June 2009, income to the value of R241 110.60 was recognised in the current year as well as expenses to the value of R1 882 687.76 relating to the prior year were recognised in the current year.

The comparative amount has been restated as follows:

Expense	1,882,688	
Income	(241,111)	
Net effect on surplus/(deficit) for the prior year	1,641,577	-
 Net effect on Accumulated surplus opening balance	 1,641,577	

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
30 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		12,542,467	
Unauthorised expenditure current year			
Approved by Council or condoned			
Transfer to receivables for recovery			
Unauthorised expenditure awaiting authorisation		<u>12,542,467</u>	<u>-</u>
30.1 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		-	
Fruitless and wasteful expenditure current year		610,115	
Condoned or written off by Council			
Fruitless and wasteful expenditure awaiting condonement		<u>610,115</u>	<u>-</u>
Incident PAYE,SDL & UIF was not paid over to Sars in the 2009 financial year			
30.2 PAYE and UIF & SDL			
Current year payroll deductions and Council Contributions		2,868,868	
Amount paid - current year		-	
Balance unpaid (included in payables)		<u>2,868,868</u>	<u>-</u>
The balance represents PAYE and UIF deducted from the 01 July 2009 payroll. These amounts have not yet been paid.			
30.3 Pension and Medical Aid Deductions			
Current year payroll deductions and Council Contributions		2,349,427	
Amount paid - current year		(2,349,427)	
Balance unpaid (included in payables)		<u>-</u>	<u>-</u>

MBONAMBI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation				Accumulated Depreciation				Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	R
Land											
Land	132,152	-	-	-	132,152	-	-	-	-	-	132,152
Landfill Sites	601,003	-	-	-	601,003	(195,664)	(40,067)	-	-	(235,731)	365,272
Quarries	-	-	-	-	-	-	-	-	-	-	-
	733,155	-	-	-	733,155	(195,664)	(40,067)	-	-	(235,731)	497,424
Buildings											
-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure											
Drains	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	8,871,077	-	-	-	8,871,077	(1,237,235)	(302,506)	-	-	(1,539,741)	7,331,336
Electricity Mains	122,648	-	-	-	122,648	(4,546)	(4,088)	-	-	(8,634)	114,014
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-
Reservoirs - Water	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Storm Water	342,987	-	-	-	342,987	(66,035)	(17,149)	-	-	(83,184)	259,802
	9,336,712	-	-	-	9,336,712	(1,307,816)	(323,744)	-	-	(1,631,560)	7,705,152
Community Assets											
Parks & Gardens	-	-	-	-	-	(92,313)	(18,271)	-	-	(110,584)	437,541
Libraries	548,125	-	-	-	548,125	(66,540)	(36,721)	-	-	(103,260)	998,367
Recreation Grounds	1,101,628	-	-	-	1,101,628	(297,279)	(51,087)	-	-	(348,366)	1,184,247
Civic Buildings	1,532,613	-	-	-	1,532,613	(37,154)	(35,662)	-	-	(72,816)	918,656
Stadiums	991,471	-	-	-	991,471	(369,809)	(157,973)	-	-	(527,783)	4,240,460
Halls	4,768,243	-	-	-	4,768,243	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-
	8,942,079	-	-	-	8,942,079	(863,095)	(299,714)	-	-	(1,162,809)	7,779,271
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-
	19,011,946	-	-	-	19,011,946	(2,366,574)	(663,525)	-	-	(3,030,099)	15,981,847
Total carried forward											

MBONAMBI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

as at 30 June 2009													
	Cost / Revaluation				Accumulated Depreciation								Carrying Value R
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R	Transfers R	Other movements R	
Total brought forward	19,011,946	-	-	-	19,011,946	(2,366,574)	(663,525)	-	-	(3,030,099)	-	-	15,981,847
Other Assets													
Office Equipment	333,191	13,243	-	-	346,434	(106,797)	(43,366)	-	-	(150,163)	-	-	196,271
Furniture & Fittings	925,011	207,448	-	-	1,132,459	(266,715)	(94,109)	-	-	(360,824)	-	-	771,634
Bins and Containers	38,169	-	-	-	38,169	(30,253)	(4,924)	-	-	(35,177)	-	-	2,992
Emergency Equipment	6,960	600	-	-	7,560	(2,899)	(696)	-	-	(3,595)	-	-	3,965
Motor vehicles	4,072,180	-	(241,795)	-	3,830,385	(1,299,491)	(620,116)	193,469	-	(1,726,138)	-	-	2,104,247
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	688,808	45,608	-	-	734,416	(473,617)	(145,873)	-	-	(619,490)	-	-	114,925
Computer Software (part of computer equipment)	191,706	-	-	-	191,706	(154,740)	(31,621)	-	-	(186,361)	-	-	5,345
Other Assets	909,314	13,512	-	-	922,826	(162,407)	(97,009)	-	-	(259,416)	-	-	663,410
	7,165,339	280,411	(241,795)	-	7,203,955	(2,496,919)	(1,037,716)	193,469	-	(3,341,166)	-	-	3,862,789
Finance Lease Assets													
Office Equipment	4,999	-	-	-	4,999	(4,999)	-	-	-	(4,999)	-	-	-
Other Assets	-	14,080	-	-	14,080	-	-	-	-	-	-	-	14,080
	4,999	14,080	-	-	19,079	(4,999)	-	-	-	(4,999)	-	-	14,080
Total	26,182,284	294,491	(241,795)	-	26,234,980	(4,868,493)	(1,701,241)	193,469	-	(6,376,264)	-	-	19,858,716

MBONAMBI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers	
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	132,152	-	-	-	132,152	-	-	-	-	-	-	132,152
Landfill Sites	601,003	-	-	-	601,003	-	-	-	-	-	-	601,003
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	733,155	-	-	-	733,155	-	-	-	-	-	-	733,155
Buildings												
	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	8,871,077	-	-	-	8,871,077	-	-	-	-	-	-	8,871,077
Electricity Mains	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs -- Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	8,871,077	-	-	-	8,871,077	-	-	-	-	-	-	8,871,077
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	548,125	-	-	-	548,125	-	-	-	-	-	-	548,125
Recreation Grounds	1,101,628	-	-	-	1,101,628	-	-	-	-	-	-	1,101,628
Civic Buildings	1,532,613	-	-	-	1,532,613	-	-	-	-	-	-	1,532,613
Stadiums	991,471	-	-	-	991,471	-	-	-	-	-	-	991,471
Halls	4,768,243	-	-	-	4,768,243	-	-	-	-	-	-	4,768,243
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-
	8,942,079	-	-	-	8,942,079	-	-	-	-	-	-	8,942,079
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	18,546,312	-	-	-	18,546,312	-	-	-	-	-	-	18,546,312

MBONAMBI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	18,546,312	-	-	-	18,546,312	-	-	-	-	-	18,546,312
Other Assets											
Office Equipment	333,191	-	-	-	333,191	-	-	-	-	-	333,191
Furniture & Fittings	925,011	-	-	-	925,011	-	-	-	-	-	925,011
Bins and Containers	38,169	-	-	-	38,169	-	-	-	-	-	38,169
Emergency Equipment	6,960	-	-	-	6,960	-	-	-	-	-	6,960
Motor vehicles	4,072,180	-	-	-	4,072,180	-	-	-	-	-	4,072,180
Fire engines	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	688,808	-	-	-	688,808	-	-	-	-	-	688,808
Computer Software (part of computer equipment)	191,706	-	-	-	191,706	-	-	-	-	-	191,706
Other Assets	909,314	-	-	-	909,314	-	-	-	-	-	909,314
	7,165,339	-	-	-	7,165,339	-	-	-	-	-	7,165,339
Finance Lease Assets											
Office Equipment	4,999	-	-	-	4,999	-	-	-	-	-	4,999
Other Assets	-	-	-	-	-	-	-	-	-	-	-
	4,999	-	-	-	4,999	-	-	-	-	-	4,999
Total	25,716,650	-	-	-	25,716,650	-	-	-	-	-	25,716,650

MBONAMBI MUNICIPALITY
APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2009

	Cost / Revaluation				Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R	R	R	R	R	R	R	R	R
Executive & Council									
Finance & Admin									
Planning & Development									
Health									
Community & Social Services									
Public Safety									
Sport & Recreation									
Environmental Protection									
Waste Management									
Road Transport									
Water									
Electricity									
Other									
Total									

MBONAMBI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

2008			2009		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
43,461,528	49,023,644	(5,562,116)	35,308,037	34,106,960	1,201,077
43,461,528	49,023,644	(5,562,116)	35,308,037	34,106,960	1,201,077
-	-	-	-	-	-
43,461,528	49,023,644	(5,562,116)	35,308,037	34,106,960	1,201,077

Executive & Council
Finance & Admin
Corporate Services
Planning & Development
Other

Less: Inter-Department Charges
Total

VISION/MISSION STATEMENT



2008/9

The vision for the Mbonambi is as follows:

VISION:

“To improve the quality of life of all people of Mbonambi Municipality by creating an economically viable development”

1.1 MISSION AND FUNDAMENTALS

The Mbonambi Municipality has set the following mission for itself:

MISSION:

The Mbonambi Municipality will strive towards providing services that will meet the needs of all people by:

- **Promoting social and economic development;**
- **Providing and maintaining affordable services;**
- **Efficient and effective utilization of resources;**
- **Marketing the Municipality locally and globally; and**
- **Establishing the Municipality as a tourist destination.**

ANNUAL REPORT DRAFT



2008/9

ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements

for

MBONAMBI MUNICIPALITY

for the year ended 30 June **01-Jul-05**

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	Mandla Nkosi
Name of Chief Financial Officer:	Cynthia Ngema
Contact telephone number:	(035) 580-1421
Contact e-mail address:	nkosim@mbonambi.co.za
Name of contact at provincial treasury:	Una Rautenbach
Contact telephone number:	(033) 897-4533
Contact e-mail address:	una.rautenbach@kzntreasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	(033) 264-7400
Contact e-mail address:	barryvdm@agsa.co.za
Name of contact at National Treasury:	Unathi Ndobeni
Contact telephone number:	unathi.ndobeni@treasury.gov.za
Contact e-mail address:	012 315 5103

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Executive Committee

CLLR ME MTHETHWA
CLLR TM BIYELA
CLLR JM ZULU
CLLR GGG MTHETHWA
CLLR BT MNQAYI
CLLR FPB MPUNGOSE

Mayor
Deputy Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Municipal Manager

MR MH NKOSI

Chief Financial Officer

MRS CN NGEMA

Grading of Local Authority

GRADE 2

Auditors

Auditor-General

Bankers

ABSA BANK

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information (continued)

Registered Office:	MUNICIPAL BUILDING
Physical address:	25 BREDELIA STREET MBONAMBI 3915
Postal address:	P.O. BOX 96 MBONAMBI 3915
Telephone number:	(035) 580-1421
Fax number:	(035) 580-1141
E-mail address:	<u>nkosim@mbonambi.co.za</u>

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

17 November 2009

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-17
Notes to the Annual Financial Statements	18-29
Appendix B: Analysis of Property, Plant and Equipment	30-33
Appendix C: Segmental Analysis of Property, Plant and Equipment	34
Appendix D: Segmental Statement of Financial Performance	35

MBONAMBI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2009

	Note	2009 R	2008 R
ASSETS			
Current assets			
Cash and cash equivalents	1	-	-
Trade and other receivables from exchange transactions	2	1,838,814	3,174,216
Other receivables from non-exchange transactions	3	756,653	2,978,150
VAT receivable	9	1,578,155	1,987,858
Unspent Conditional Grants	12	6,632,195	-
Non-current assets			
Property, plant and equipment	4	18,364,768	-
Investment property carried at cost	5	1,590,000	-
Total assets		30,760,585	8,140,224
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	6	26,726,761	3,104,955
Consumer deposits	7	2,264	8,464
VAT payable	8	124,286	-
Payments received in advance	10	1,869,587	-
Current provisions	11	1,167,826	810,700
Bank overdraft	1	13,994,017	5,639,637
Current portion of unspent conditional grants and receipts	12	-	11,260,125
Non-current liabilities			
Non-current unspent conditional grants and receipts	12	-	-
Total liabilities		43,884,742	20,823,881
Net assets		(13,124,157)	(12,683,657)
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		(13,124,157)	(12,683,657)
Total net assets		(13,124,157)	(12,683,657)

MBONAMBI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

	Note	2009 R	2008 R
Revenue			
Property rates	13	2,471,798	3,379,457
Service charges	14	184,554	167,420
Rental of facilities and equipment	15	119,015	70,027
Interest earned - bank accounts	16	60,014	40,281
Fines		3,627,383	7,060,016
Government grants and subsidies	17	26,966,142	31,407,171
Other income	18	1,879,132	1,337,156
Total revenue		35,308,037	43,461,528
Expenses			
Employee related costs	19	11,450,417	13,638,099
Remuneration of councillors	20	4,081,229	2,994,624
Depreciation and amortisation expense	21	1,701,241	-
Repairs and maintenance		1,879,363	-
Finance costs	22	619,541	-
Contracted services	23	3,482,436	-
General expenses	24	10,892,732	32,390,921
Total expenses		34,106,960	49,023,644
Gain / (loss) on sale of assets	25	-	-
Surplus / (deficit) for the period		1,201,077	(5,562,116)

MBONAMBI MUNICIPALITY						
STATEMENT OF CHANGES IN NET ASSETS						
as at 30 June 2009						
	Note	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R	R	R	R
Balance at 30 June 2007						
Changes in accounting policy		-	-	-	(7,127,477)	(7,127,477)
Correction of prior period error	28				-	-
Restated balance	29				-	-
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	(7,127,477)	(7,127,477)
Other items					-	-
Net gains and losses not recognised in the statement of financial performance					-	-
Transfers to / from accumulated surplus/(deficit)					-	-
Surplus / (deficit) for the period					(1,635,641)	(1,635,641)
Balance at 30 June 2008					(5,562,116)	(5,562,116)
Surplus / (deficit) on revaluation of property of property, plant and equipment		-	-	-	(14,325,234)	(14,325,234)
Other items					-	-
Net gains and losses not recognised in the statement of financial performance					-	-
Transfers to / from accumulated surplus/(deficit)					-	-
Surplus / (deficit) for the period					1,201,077	1,201,077
Balance at 30 June 2009		-	-	-	(13,124,157)	(13,124,157)

MBONAMBI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		-	33,890,609
Taxation			
Sales of goods and services			
Grants			33,499,260
Interest received			40,281
Other receipts			351,068
Payments		-	21,175,446
Employee costs			
Suppliers			
Interest paid			21,175,446
Other payments			
Net cash flows from operating activities	26	12,949,332	12,715,163
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(20,066,009)	(7,842,226)
Proceeds from sale of fixed assets			
Proceeds from sale of investments			
Purchase of foreign currency securities			
Net cash flows from investing activities		(20,066,009)	(7,842,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			
Repayment of borrowings			
Proceeds from finance lease liability			
Repayment of finance lease liability			
Net cash flows from financing activities		-	-
Net increase / (decrease) in net cash and cash equivalents		(8,354,380)	4,872,937
Net cash and cash equivalents at beginning of period		(5,639,637)	-
Net cash and cash equivalents at end of period	27	(13,994,017)	4,872,937

MBONAMBI MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT

1.4 NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
Finance Lease Assets			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

15 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the

impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

16 TRANSITIONAL PROVISIONS

Mbonambi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102	Intangible Assets - paragraph 110-118

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at bank		13,994,017	5,639,637
		<u>13,994,017</u>	<u>5,639,637</u>

The Municipality has the following bank accounts

Current Account (Primary Bank Account)

Absa Bank Limited - Durban Branch Account Number 40-5385-7155

Cash book balance at beginning of year		5,639,637	(766,700)
Cash book balance at end of year		<u>13,994,017</u>	<u>5,639,637</u>
Bank statement balance at beginning of year		(1,844,241)	
Bank statement balance at end of year		<u>104,102</u>	<u>(1,844,241)</u>

Current Account - Traffic Fines

Absa Bank Limited - Durban Branch Account Number 40-6506-2322

Cash book balance at beginning of year		-	
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		48,246	
Bank statement balance at end of year		<u>17,634</u>	<u>48,246</u>

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Trade receivables			
as at 30 June 2009			
Service debtors			
Rates	1,838,814	-	1,838,814
Refuse	-	-	-
Total	<u>1,838,814</u>	<u>-</u>	<u>1,838,814</u>
as at 30 June 2008			
Service debtors			
Rates	2,983,763	-	2,983,763
Refuse	190,453	-	190,453
Total	<u>3,174,216</u>	<u>-</u>	<u>3,174,216</u>

Rates: Ageing

Current (0 - 30 days)	-	156,974
31 - 60 Days	-	114,217
61 - 90 Days	-	88,490
91 - 120 Days	-	82,333
121 - 365 Days	-	462,757
+ 365 Days	-	934,044
Total	<u>-</u>	<u>1,838,814</u>

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
<u>Summary of Debtors by Customer Classification</u>	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	63,273	89,738	3,963
31 - 60 Days	46,841	62,529	4,848
61 - 90 Days	32,286	53,131	3,073
91 - 120 Days	322,056	86,967	136,065
+ 365 Days	-	934,044	-
Sub-total	464,456	1,226,409	147,949
Less: Provision for doubtful debts			
Total debtors by customer classification	464,456	1,226,409	147,949

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance claims	-	-
Subsidies	-	-
Bad reinstatements	-	-
Unauthorized expenditure	<u>Notes 1-10/A686</u>	-
Other debtors	756,653	2,978,150
Prepayments	-	-
Total Other Debtors	756,653	2,978,150

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

4 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2008	132,152	-	8,028,896	8,078,985	4,668,420	-	20,908,452
Cost/Revaluation	132,152	-	9,336,712	8,942,079	7,165,339	4,999	25,581,281
Correction of error	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	(1,307,816)	(863,095)	(2,496,919)	(4,999)	(4,672,829)
Acquisitions	-	-	-	-	280,411	14,080	294,491
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	(323,744)	(299,714)	(1,037,716)	-	(1,661,174)
Carrying value of disposals	-	-	-	-	(48,326)	-	(48,326)
Cost/Revaluation	-	-	-	-	(241,795)	-	(241,795)
Accumulated depreciation and impairment losses	-	-	-	-	193,469	-	193,469
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2009	132,152	-	7,705,152	7,779,271	3,862,789	14,080	19,493,444
Cost/Revaluation	132,152	-	9,336,712	8,942,079	7,203,955	19,079	25,633,977
Accumulated depreciation and impairment losses	-	-	(1,631,560)	(1,162,809)	(3,341,166)	(4,999)	(6,140,534)

App B1A1

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2007	733,155	-	8,871,077	8,942,079	7,165,339	4,999	25,716,650
Cost/Revaluation	733,155	-	8,871,077	8,942,079	7,165,339	4,999	25,716,650
Correction of error	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-
as at 30 June 2008	733,155	-	8,871,077	8,942,079	7,165,339	4,999	25,716,650
Cost/Revaluation	733,155	-	8,871,077	8,942,079	7,165,339	4,999	25,716,650
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

App B1A1

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

5 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

Reconciliation of carrying value	Investment Property:Houses R	Investment Property:Land R	Total R
as at 1 July 2008	1,100,000	490,000	1,590,000
Cost	1,100,000	490,000	1,590,000
Correction of error	-	-	-
Change in accounting policy	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2009	1,100,000	490,000	1,590,000
Cost	1,100,000	490,000	1,590,000
Accumulated depreciation and impairment losses	-	-	-

The effective date of the valuation was 1/06/2006. Valuations were performed by an independent valuer, J.A. Holtzhuizen [Professional Valuer], of J.A. Holtzhuizen. The valuer is not connected to the entity and have recent experience in location and category of the investment property being valued. The valuation was based on open market values.

MBONAMBI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
5 PROPERTY , PLANT AND EQUIPMENT			
Property, plant and equipment		18,364,768	-
		<u>18,364,768</u>	<u>-</u>
6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		26,726,761	-
Leave and Bonus Accruals			314,292
Other creditors			2,790,663
Total creditors		<u>26,726,761</u>	<u>3,104,955</u>
The fair value of trade and other payables approximates their carrying amounts.			
7 CONSUMER DEPOSITS			
Refuse and Water		2,264	8,464
Total consumer deposits		<u>2,264</u>	<u>8,464</u>
8 VAT PAYABLE			
VAT payable		<u>124,286</u>	<u>-</u>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
9 VAT RECEIVABLE			
VAT receivable		<u>1,578,155</u>	<u>1,987,858</u>
VAT is claimable on the payment basis.			
10 PAYMENTS RECEIVED IN ADVANCE			
Payments received in advance - Deposit on the sale of Land.		<u>1,869,587</u>	<u>-</u>
11 PROVISIONS			
Provision for Leave and Bonus		1,167,826	810,700
Total Provisions		<u>1,167,826</u>	<u>810,700</u>
12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government			
MIG Grants			
Other			
Other			
Other Unspent Conditional Grants and Receipts			
Other			
Other			
Total Unspent Conditional Grants and Receipts		<u>-</u>	<u>-</u>
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		(6,632,195)	11,260,125
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			

Notes 15-61/A291